

CANADA-NOVA SCOTIA
Crop Insurance

ANNUAL REPORT

for the year 2003-04

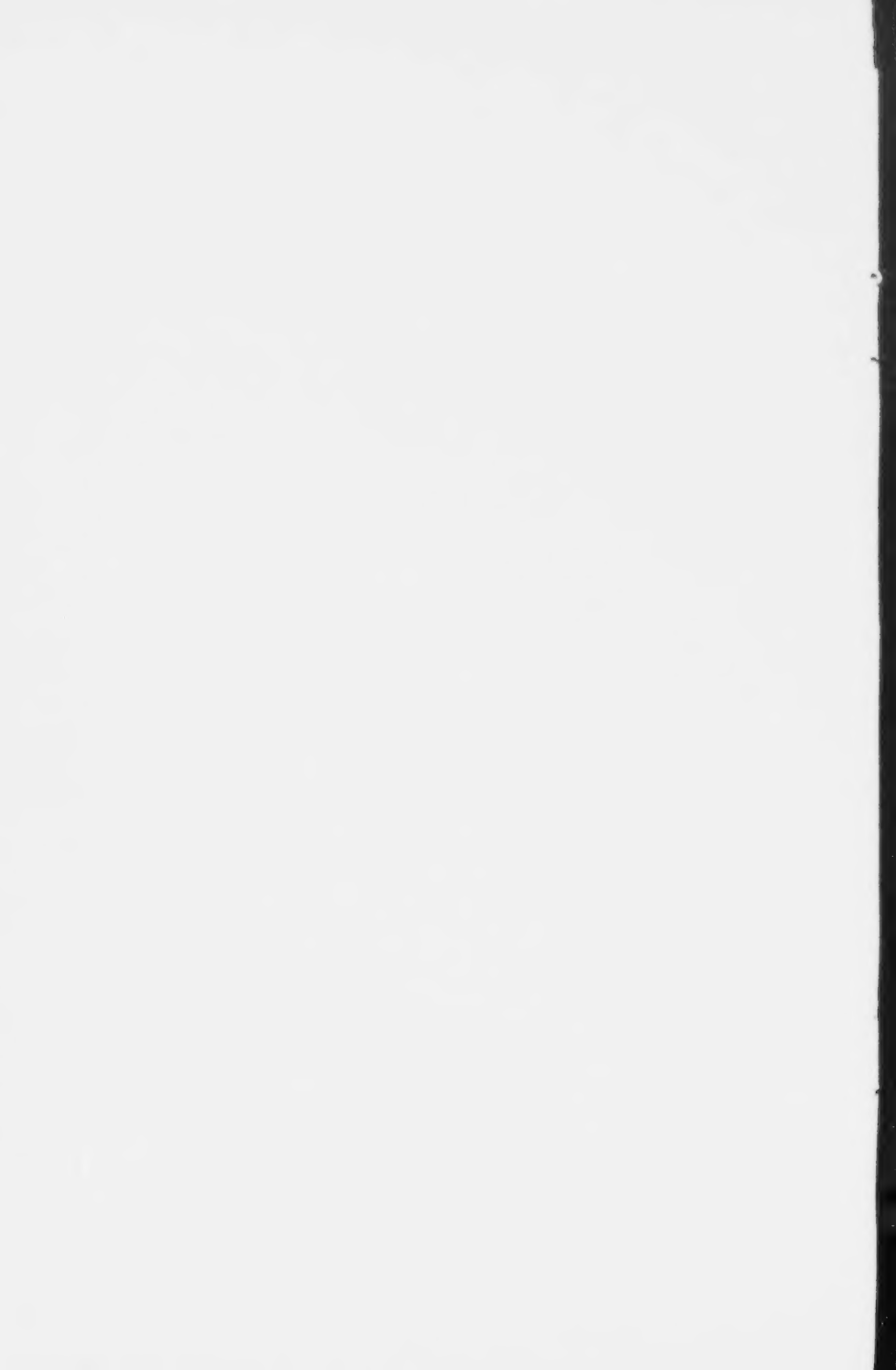
The Nova Scotia
Crop & Livestock
Insurance Commission



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada





Her Honour
The Honourable Myra Freeman
Lieutenant-Governor of Nova Scotia

Dear Madam:

I have the honour to transmit herewith the Annual Report of the Nova Scotia Crop and Livestock Insurance Commission for the year ended March 31, 2004.

I am, Your Honour,
Yours very truly,

A handwritten signature in dark ink, appearing to read "d'Entremont", written in a cursive style.

Chris d'Entremont
Minister of Agriculture and Fisheries



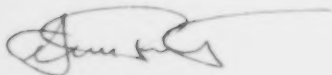
The Honourable Chris d'Entremont
Minister of Agriculture and Fisheries

Dear Sir:

We have the honour to herewith submit the thirty-fifth Annual Report of the Nova Scotia Crop and Livestock Insurance Commission for the fiscal year ending March 31, 2004. Included in this report is a summary of operations, the audited financial statements, and statistical information for the programs under the authority of the Commission.

Respectfully submitted,
Nova Scotia Crop and Livestock
Insurance Commission


J. Forbes
Chair


G.A. Post
Manager

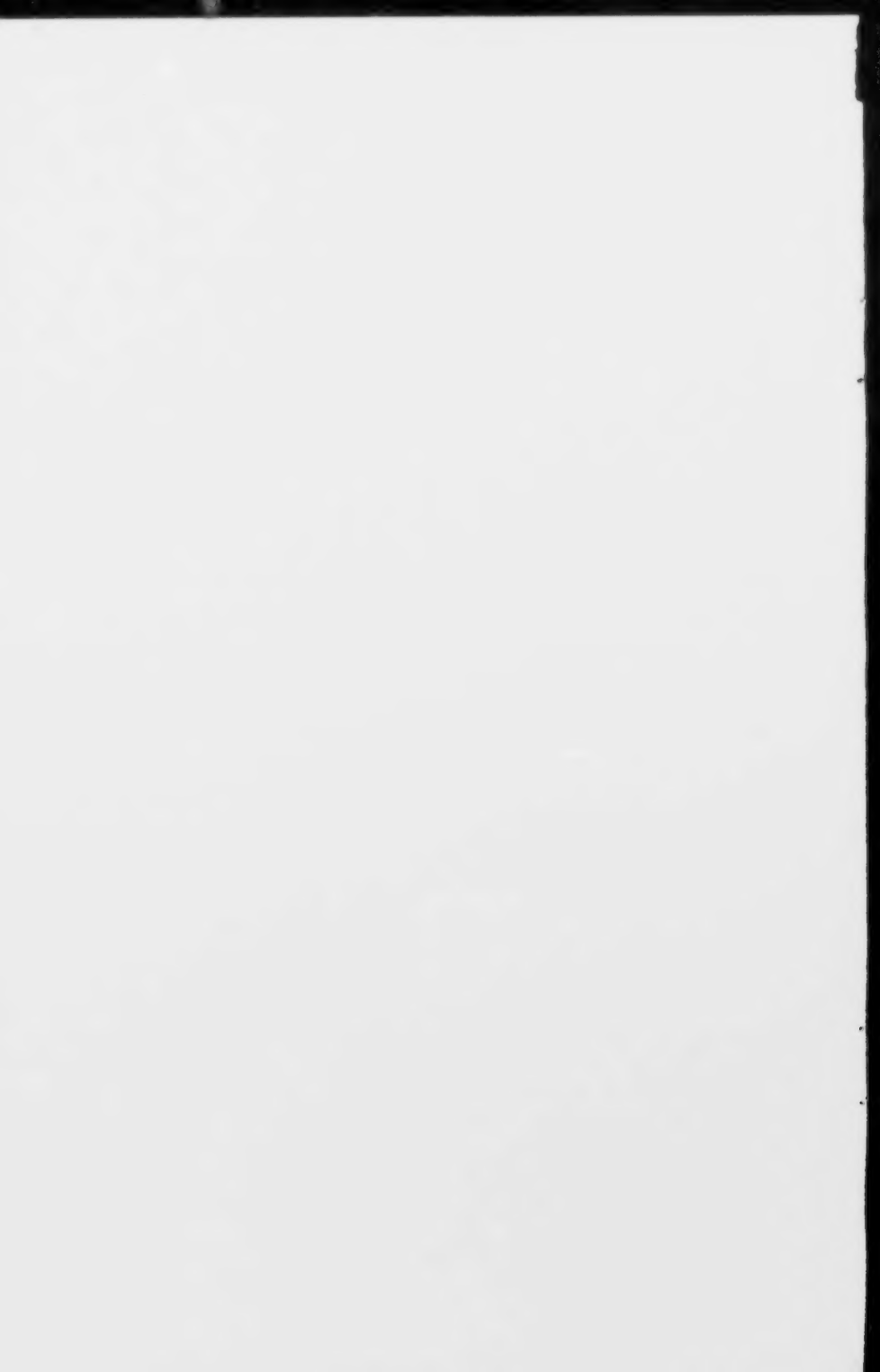


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COMMISSION OFFICERS

BOARD OF DIRECTORS

Jerome Forbes, Chair
St. Andrews, Antigonish Co.

Gail Parker
Waterville, Kings Co.

Michael Johnson, Vice-Chair
NS Dept. Agriculture & Fisheries

Avard Bentley
Westchester, Cumb. Co.

Thane Fullerton
Harrison Settlement, Cumb. Co.

R. Michael Walsh
Berwick, Kings Co.

PRINCIPAL OFFICERS

G.A. Post—Manager

T.D. Mitchell—Secretary

B.A. Whidden—Accounting Clerk

B.J. Nelson—Clerk

J.R. Gilmore—Supervisor, Field Services

G.D. Macintosh—Coordinator, Research & Program Development

AUDITOR

Auditor General, Province of Nova Scotia

SOLICITOR

J.R.M. Akerman, Q.C.

FIELD STAFF

D.R. MacKenzie

M.J. Blenkhorn

J.M. Peill

PROGRAM BACKGROUND

The Nova Scotia Crop Insurance Act, which was assented to in 1968 and amended in 1978 to provide for the administration of the Livestock Insurance program, is cited as the Crop and Livestock Insurance Act.

Under the Crop and Livestock Insurance Act, the Commission is responsible to administer the program under the direction, supervision, and control of the Minister of Agriculture and Fisheries.

The Commission administers crop insurance coverage to 14 crop insurance plans and a livestock insurance program.

OBJECTIVES AND RESPONSIBILITIES

The fundamental objective of the Crop and Livestock Insurance Commission is to make available to Nova Scotia farmers programs that will assist in years of reduced yields, lower revenue, and losses due to insurable perils.

In the interest of efficiency of operations and convenience to farmers, the programs are administered by a common staff, but each program stands on its own. Separate accounting for premium and indemnities is maintained for each program. Administration expenses are proportioned to each program.

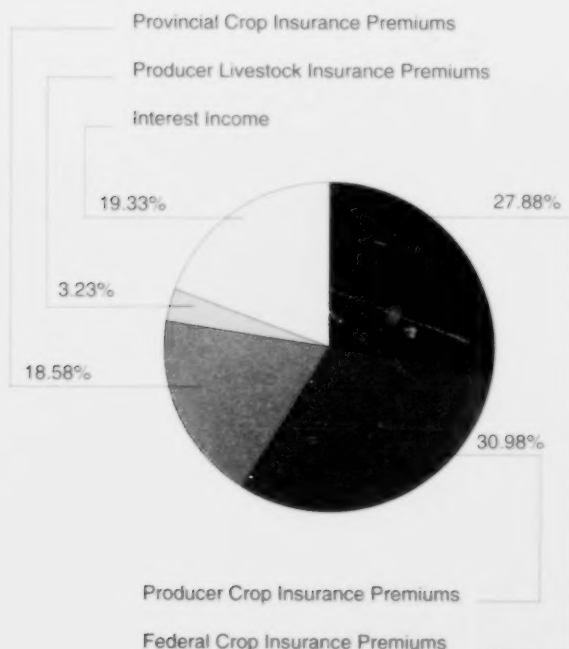
FINANCIAL PARTICIPATION

The administration of the Crop and Livestock Insurance program is the responsibility of the Commission. It is subject to the provisions under the Canada–Nova Scotia Implementation Agreement under the National Agricultural Policy Framework. Crop and Livestock Insurance in Nova Scotia is delivered under the authority of the Crop and Livestock Insurance Act.

The governments of Nova Scotia and Canada each contribute a percentage of administration expenses for crop insurance. Administration expenses for other programs administered by the Commission are the responsibility of the province.

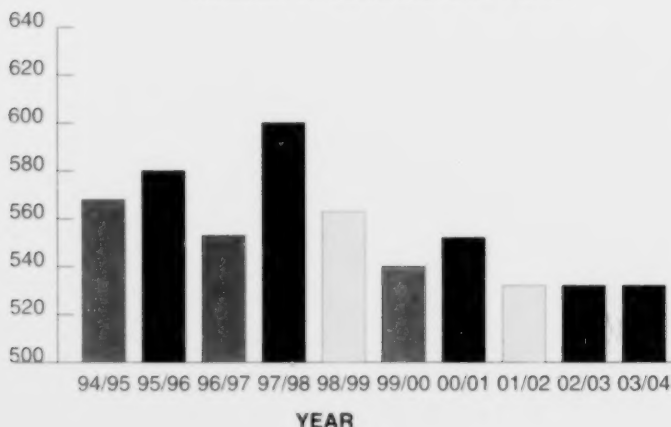
For 2003–04, the government of Nova Scotia contributed 41 per cent of the total administration costs and 24 per cent of the crop insurance premium. The government of Canada contributed 59 per cent of the total administration costs and 36 per cent of the premium for crop insurance programs.

FUND REVENUES



INSURANCE PLANS IN FORCE

Spring Grain:	oats, barley, wheat, and mixed grain
Winter Grain:	rye, wheat
Tree Fruit:	apples, pears, tree protection
Corn:	silage, grain, high moisture
Peas and Beans:	processing
Blueberries:	lowbush and highbush blueberries
Strawberries:	
Raspberries:	
Forage:	establishment year
Forage Production:	
Soybeans:	
Potatoes:	processing
Vegetables:	broccoli, brussels sprouts, cauliflower, cabbage, fresh carrots, lettuce, onions, parsnips, processing carrots, rutabagas, and winter squash
Livestock:	dairy

NUMBER OF CONTRACTS BY YEAR

FEATURES OF THE CROP INSURANCE PLANS

Designated Perils

The crop insurance plans protect against loss caused by drought, frost, hail, wind, excessive moisture, insect infestation, plant disease, wildlife, winter injury, unavoidable pollination failure, and off-crop due to adverse weather conditions.

Type of Insurance

Each insured crop is guaranteed a specific yield based upon the past yield records of each insured. When no past records are available, a benchmark, either provincial or industry averages, is used.

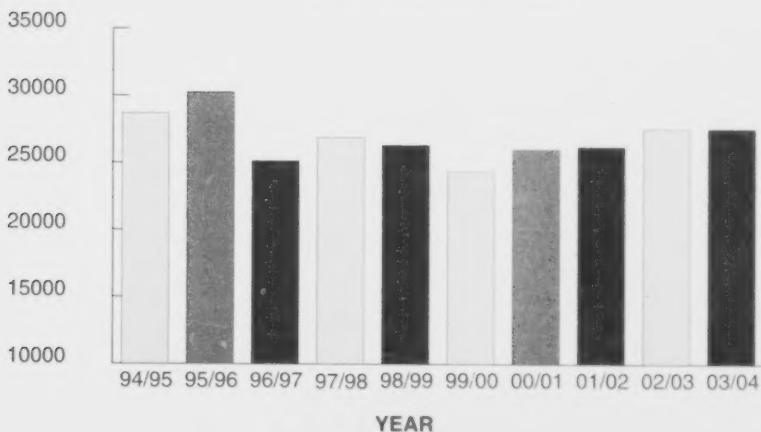
Quality Guarantee

Quality losses are taken into consideration with certain plans such as tree fruit, corn, and spring and winter grain.

Premium Discount/Surcharge

The base premium rate for all insurance plans, with the exception of forage, is adjusted by giving a discount when indemnities paid are less than premium paid or by adding a surcharge when indemnities paid exceed premium. The maximum discount shall be 50 per cent and the maximum surcharge shall be 100 per cent.

ACRES INSURED BY YEAR



STATISTICAL SUMMARIES
ANNUAL SUMMARY OF INSURANCE PLANS 2003-04

Plan	No. Growers	No. Acres	Total Coverage	Total Premium	Total Indemnities
Spring Grain	63	4,266.91	\$ 636,620.77	\$ 47,143.36	\$ 86,714.43
Tree Fruit	52	2,850.05	4,211,170.12	210,855.59	58,852.44
Tree Ins. (trees)	9	155,663.00	2,094,656.00	10,473.75	11,001.43
Peas & Beans	50	2,811.30	800,165.62	86,953.91	210,621.50
Forage Est.	9	438.59	61,402.60	5,087.67	7,992.60
Forage Prod.	0	0	0	0	0
Corn	57	5,783.61	1,362,244.30	71,810.62	36,596.54
Blueberries	169	6,274.92	4,074,198.43	223,805.08	113,582.24
Strawberries	7	66.63	191,727.11	12,343.18	54,359.66
Raspberries	2	3.50	2,853.06	294.75	1,107.60
Winter Grain	19	1,476.91	355,700.57	26,673.36	78,243.81
Potatoes	8	1,334.50	1,086,790.29	20,506.30	—
Soybeans	13	670.94	109,666.21	8,338.14	—
Vegetables	18	1,428.82	1,291,445.96	109,668.16	176,205.29
Crop Summary	497	27,406.68	\$16,278,641.04	\$833,953.87	\$835,277.54
	Herds	Animals			
Loss Income			9,776,240.30		
Livestock	165	20,749.00	27,962,600.00 37,738,840.30	34,980.83	47,640.00
Totals			\$54,017,481.34	\$868,934.70	\$882,917.54

Forage Est. claims belong to 2002.

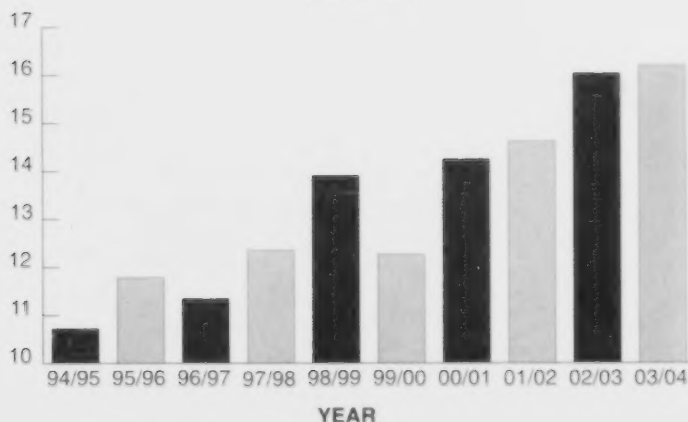
Winter grain claims belong to 2003.

Premiums for Tree Endorsement, Forage Est., and Winter Grain belong to crop year 2002.

**SUMMARY OF CROP INSURANCE PLANS
(1969-1970 TO 2003-2004 CROP YEARS INCLUSIVE)**

Plan	No. Years	No. Claims	Total Premium	Claims Paid	Loss Ratio
Spring Grain	34	1566	\$ 1,446,614.73	\$ 1,356,239.02	\$ 0.94
Winter Grain	33	286	575,406.19	557,273.92	0.97
Tree Fruit	33	542	4,353,868.08	4,263,063.83	0.96
Tree Rider	20	21	162,584.42	89,451.19	0.55
Tobacco	26	21	767,809.39	561,296.33	0.73
Corn	32	500	1,467,260.57	1,143,664.18	0.78
Pea & Bean	31	629	3,140,338.94	3,315,484.65	1.06
Blueberries	30	596	1,781,443.34	1,617,157.27	0.91
Strawberries	29	116	276,211.41	290,226.12	1.05
Forage Est.	26	145	88,839.93	76,959.72	0.87
Soybeans	17	56	120,498.19	86,722.22	0.72
Potatoes	16	21	764,385.17	942,784.48	1.23
Raspberries	3	3	1,099.99	2,829.00	2.57
Forage Prod.	3	1	16,983.20	4,551.38	0.27
Vegetables	3	30	374,666.86	565,508.48	1.51
Totals		4,533	\$15,338,010.31	\$14,873,211.79	0.97

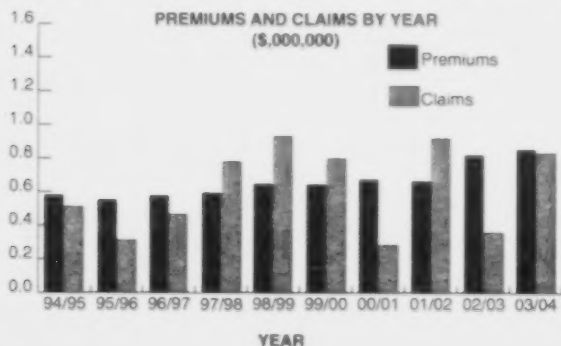
**RISK BY YEAR
(\$,000,000)**



OPERATIONS SUMMARY OF CROP INSURANCE YEARS (1969-1970 TO 2003-2004 CROP YEARS INCLUSIVE)

Crop Years	No. Contracts	Total Coverage	Total Premium	Claims Paid	Loss Ratio
2003-04	532	16,278,641.04	833,953.62	816,283.51	0.98
2002-03	532	16,017,939.87	817,002.88	375,453.40	0.45
2001-02	532	14,614,865.02	662,383.83	913,748.05	1.38
2000-01	552	14,235,571.33	671,450.08	285,342.20	0.42
1999-00	540	12,266,330.30	642,684.32	797,459.04	1.24
1998-99	563	13,893,446.80	646,821.92	929,782.98	1.44
1997-98	600	12,357,446.94	589,541.32	776,067.57	1.32
1996-97	553	11,333,794.19	573,198.51	465,839.09	0.81
1995-96	580	11,786,776.62	547,889.80	312,763.50	0.57
1994-95	568	10,712,791.39	575,557.95	511,379.55	0.89
1993-94	577	11,572,519.02	624,484.68	967,080.26	1.55
1992-93	624	11,215,333.94	658,992.66	200,655.25	0.30
1991-92	544	11,615,235.19	632,577.19	1,404,709.79	2.22
1990-91	568	10,812,668.40	576,350.10	361,075.66	0.63
1989-90	604	10,388,965.96	544,223.97	878,496.97	1.61
1988-89	532	10,123,576.34	536,156.26	105,875.06	0.20
1987-88	597	10,144,184.62	536,178.46	158,436.63	0.30
1986-87	730	10,150,321.12	497,240.93	1,388,321.35	2.79
1985-86	730	9,842,990.44	451,781.74	506,393.98	1.12
1984-85	740	9,656,714.23	450,978.08	132,831.31	0.29
1983-84	775	8,863,218.33	451,910.61	442,181.20	0.98
1982-83	760	6,618,768.79	449,727.96	123,888.71	0.28
1981-82	752	5,854,042.18	401,609.14	219,338.95	0.55
1980-81	666	4,228,150.76	295,329.10	196,488.55	0.67
1979-80	695	3,994,307.91	296,406.94	300,974.95	1.02
1978-79	781	3,730,752.45	284,334.24	131,548.18	0.46
1977-78	770	3,381,581.47	251,407.28	253,696.31	1.01
1976-77	602	2,751,869.76	220,219.10	90,559.13	0.41
1975-76	568	2,274,900.30	198,451.73	169,900.31	0.86
1974-75	565	2,030,120.33	164,694.03	232,358.15	1.41
1973-74	492	1,762,978.44	96,519.82	252,505.26	2.62
1972-73	386	1,553,341.41	77,955.05	78,023.10	1.00
1971-72	364	777,955.53	32,884.51	50,406.29	1.53
1970-71	345	823,244.95	31,954.54	35,304.14	1.10
1969-70	277	310,831.53	15,157.96	8,043.41	0.53
TOTAL		\$287,976,176.90	\$15,338,010.31	\$14,873,211.79	\$0.97

Since the program's implementation in 1969, for every dollar collected in premium, \$0.97 has been paid out in claims



**SUMMARY OF DAIRY LIVESTOCK INSURANCE PLAN
(APRIL 1, 1978-MARCH 31, 2004)**

Years	No. Insured Herds	Insured Animals	Total Premium	Claims Paid	Loss Ratio
2003-04	165	20,749	\$34,980.83	\$ 47,640.00	\$1.36
2002-03	179	21,769	\$32,864.20	\$30,144.00	\$0.92
2001-02	184	21,640	20,858.02	14,210.00	0.68
2000-01	182	20,252	19,538.76	197,632.22	10.11
1999-00	203	21,531	17,108.54	17,400.00	1.02
1998-99	212	22,087	17,475.34	55,104.68	3.15
1997-98	232	22,857	17,797.26	44,679.34	2.51
1996-97	240	22,801	25,891.18	47,960.58	1.85
1995-96	252	22,866	26,219.52	7,270.22	0.28
1994-95	263	23,053	26,720.66	6,400.00	0.24
1993-94	231	20,572	24,979.34	16,400.00	0.66
1992-93	242	21,224	26,093.76	3,752.66	0.14
1991-92	259	22,739	28,987.80	17,157.20	0.59
1990-91	282	23,771	30,883.99	7,600.00	0.25
1989-90	217	26,221	35,295.12	10,130.00	0.29
1988-89	313	25,913	35,507.84	7,639.50	0.22
1987-88	306	25,500	39,104.26	3,200.00	0.08
1986-87	300	24,705	38,929.11	17,593.05	0.45
1985-86	265	22,662	39,200.03	36,775.90	0.94
1984-85	219	18,263	42,042.80	14,459.00	0.34
1983-84	209	18,037	43,820.40	3,400.00	0.08
1982-83	205	17,253	42,423.00	21,133.16	0.50
1981-82	249	20,480	53,326.15	16,120.35	0.30
1980-81	284	22,817	77,919.61	53,089.50	0.68
1979-80	403	29,491	86,731.88	60,501.10	0.70
1978-79	352	26,121	59,198.14	31,744.50	0.54
TOTALS			\$943,897.54	\$789,136.96	\$0.84

Since the program was implemented in 1978, for every dollar collected from the insured farmer, \$0.85 has been paid out in claims.

**DAIRY LIVESTOCK INSURANCE CLAIMS SUMMARY
(APRIL 1, 2003–MARCH 31, 2004)**

Insurable Perils	Number Animals	Total Claims Paid
1. Shipping fever	31	\$47,640.00
2. Reportable diseases	0	0
3. Infectious bovine rhinotracheitis	0	0
4. Other	0	0
5. Loss of income	0	0

**CLAIM SUMMARY RE: DAIRY LIVESTOCK INSURANCE PLAN
(APRIL 1, 1978–MARCH 31, 2004)**

Insurable Diseases	No. Animals	Total Claims Paid
1. Acute mastitis*	108	\$104,291.40
2. Shipping fever	368	379,625.54
3. Infectious bovine rhinotracheitis	53	41,337.18
4. Brucellosis	2	810.70
5. Loss of income	0	246,872.14
6. Other	14	16,200.00
Total	545	\$789,136.96

* This peril no longer covered

THE 2003-04 GROWING SEASON

The growing season was a challenge in many respects with floods, drought, prolonged wet periods, and Hurricane Juan. Heavy spring flooding in Colchester and Kings counties resulted in significant winter injury in forage and winter grain crops. Late frost in June damaged blueberry and apple blossoms and affected corn and soybean crops as well. The month of July saw virtually no rainfall, which slowed the growth of many crops. With August the rains returned followed by 14 days of unusual heat and humidity, which severely damaged many vegetable crops. The most significant natural peril, however, was Hurricane Juan, which blew through central Nova Scotia in late September. Although many crops were damaged, most were harvested and very few indemnities resulted. The total indemnities for the year were approximately equal to the premiums earned, which is what we expect.

TABLE 1. ESTIMATE - ACTUAL 2003-04

	Estimate 03-04 (000)s	Actual 03-04 (000)s
Revenues		
Insurance Premiums paid by Clients	\$ 510	\$ 375
Insurance Premiums Contributed by Govt (Federal)	240	305
Insurance Premiums Contributed by Govt (Provincial)	240	204
Interest Income	105	212
Total Revenues	1,095	\$1,096
Expenses		
Indemnity Claims	1,095	884
Reinsurance Premiums	200	196
Bad Debt Expense	5	19
Total Expenses	1,300	1,099
Net Income From Insurance Activities	(205)	(3)
Crop and Livestock Insurance Fund Balance		
Beginning of Year	6,287	6,299
End of Year	6,082	6,296
Administrative Expenses		
Government Contributions (Canada)	400	425
Government Contributions (Nova Scotia)	450	301
Total Administrative Expenses	850	726
Net Govt Expenditure		
Canada (Premium + Administration)	640	730
Nova Scotia (Premium + Administration)	690	505
Total Program Expenditure	1,330	1,235

The Commissions plan for 2003-04 includes three priority items:

- Program Expansion / Enhancements: Higher coverage levels (85 per cent of long term average); acreage loss program where coverage is based on value per acre rather than yield; a weather derivative product which is based on actual rainfall rather than yield.
- Information Technology: Replacement of customized underwriting and accounting software which no longer meets the Commission's needs.

- Reduction of Red Tape: Revision of the Crop and Livestock Insurance Act to allow a more streamlined delivery of products and a quicker response time to industry conditions and client concerns; update of the 15 regulations the Commission deals with in the delivery of the insurance programs to reflect modern language and to more clearly describe how its business operates.

Reviews for Premium Rates and self-sustainability were successfully completed. Programs were revised and 85 per cent coverage was offered under the corn, potato, winter grain, and blueberry plans. Approximately 40 per cent of clients opted for higher coverage. Development work (research) was completed on acreage loss and weather derivative programs in 2003/04. The Commission has approved regulations enabling the introduction of a weather product; however, the Department of Justice has not yet reviewed them, which is required before going on to Treasury and Policy Board. This is expected to be finalized in 2005/06. The list of Red Tape reduction items is unchanged since last year. The reforms to the Crop and Livestock Insurance Act did not make the Legislature's agenda last year. Regulation changes and introduction of new regulations have also not made it past Justice review. This is a road block to introducing new products or improving existing ones. There was no improvement in 2003/04. This is a serious deterrent to efficient customer service. The replacement of the Commission's database software did not progress as planned and remains a high priority. The system is an outdated DOS based database that is no longer supported commercially or by the IT-Corporate Service Unit. Commission operations are severely hampered by the inflexible nature of this system. Delivery of new client benefits and product features are not possible without investment in new software. The Business Technology Advisory Committee has given approval to proceed with a request for Proposals in 2004/05. The estimated cost of the project is such that the project must follow the Tangible Capital Assets approval process. As of fiscal year end 2003/04, there has been no movement made as to relocation of the office.

ACCOUNTABILITY REPORT

The core business of the Crop and Livestock Insurance Commission is the delivery of insurance products to the agriculture sector. As one of the pillars of Canada's financial system, insurance plays a key role in stabilizing business incomes by providing opportunities to manage or lay off risk. Crop production is particularly risk laden in that natural perils presented by climate and geography cannot easily be totally controlled or managed. The intended outcome of the Commissions program is to stabilize farm incomes.

Measure	Where are we now? Base / Target / Result			Future Direction? Target 04-05	Comments
Number of Insurance Products Offered: Insurance options are grouped according to plans. The total number of crops insurable is a more relevant figure.	12	Plans 14 Crops Insured	14	We intend to introduce two new plans by 2005-06 which will allow up to 8 additional crops to be insured.	Weather derivative insurance plans can be adapted to insure any crop affected by moisture or heat levels.
Value of Coverage Written: The total dollar value of risk the Commission has accepted from its clients.	\$14.1	(millions) \$18.1	\$16.1	(millions) 18.0	Higher unit prices and coverage options for all crops and increased acres of insured crops have led to higher coverage value.
Aggregate Level of Coverage Written: The weighted average of coverage purchased expressed as a percent of the Total Insurable Yield.	76%	78%	78.5%	The Commission will continue to offer higher coverage levels (90%) and will introduce risk splitting options.	More clients opting for higher coverage. The maximum coverage option offered in 2003-04 was 85% of the Average Insurable Yield.
Number of Farms using Program	500	560	529	We continue to make improvements in communication and service commitments to our clients.	Greater flexibility in rates and coverage options has made the program more accessible for many farm businesses.
Months Elapsed from Commission approval to program implementation	12-18	8	18	The Commission plans a revision to the Crop and Livestock Insurance Act to streamline routine business operations.	The red tape involved in getting regulations approved is delaying introduction of new features and coverage options. The delays in getting Department of Justice approval of regulations is not under the Commission's control.

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
FINANCIAL STATEMENTS

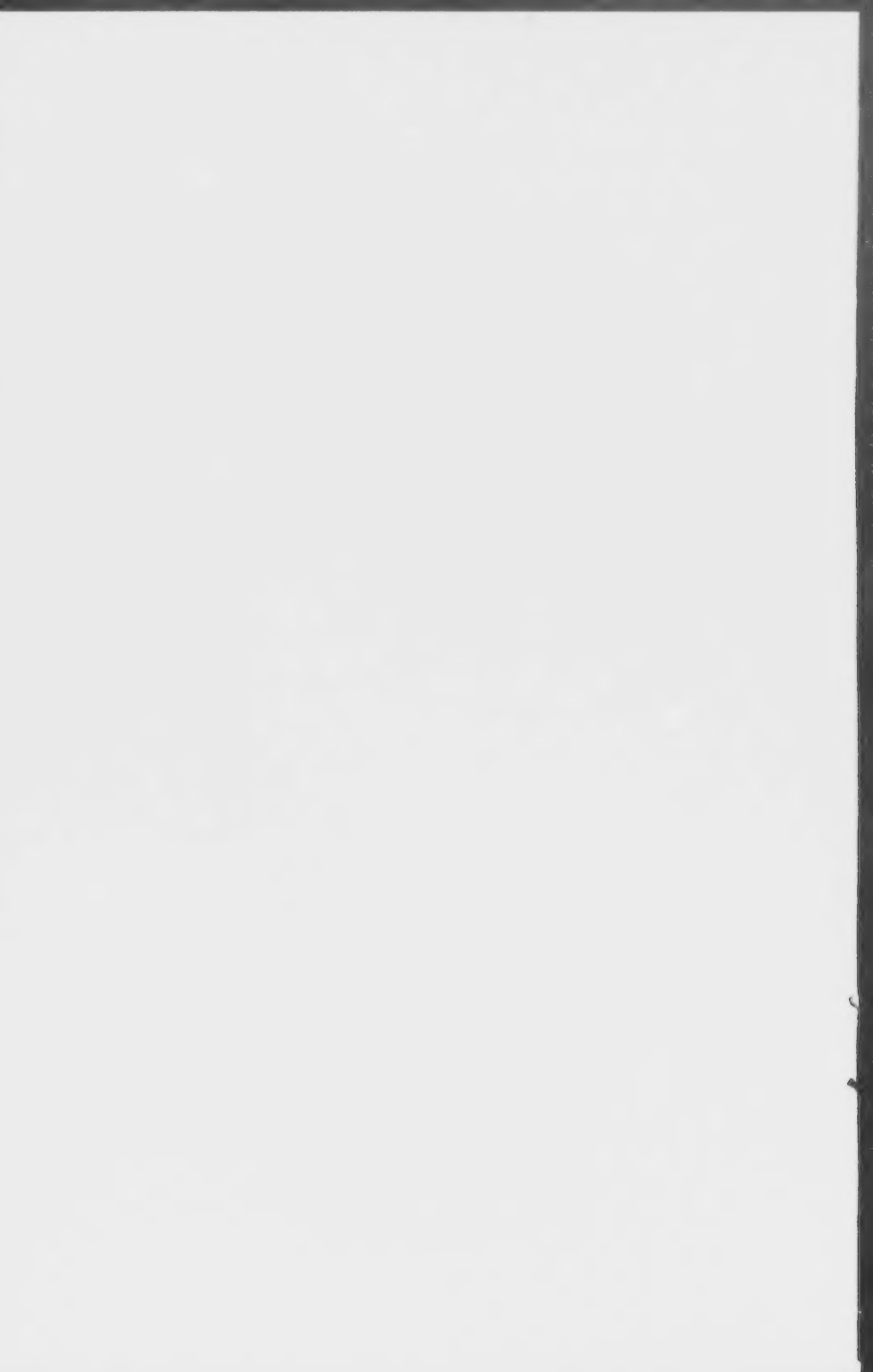
MARCH 31, 2004



**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
FINANCIAL STATEMENTS
MARCH 31, 2004**

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AUDITOR'S REPORT

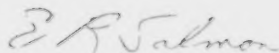
To the Minister of Agriculture and Fisheries; and

To the Chair and Members of the Nova Scotia Crop and Livestock Insurance Commission

I have audited the balance sheet of the Nova Scotia Crop & Livestock Insurance Commission as at March 31, 2004, and the statements of surplus and fund balances, and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at March 31, 2004 and the results of its operations and cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.



E.R. Salmon, F.C.A.
Auditor General

Halifax, Nova Scotia
May 17, 2004

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
BALANCE SHEET
AS AT MARCH 31, 2004**

ASSETS

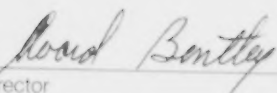
	2004	2003
Current Assets		
Cash	\$ 140,980	\$ 83,458
Short-term investments (Note 3)	6,072,787	6,138,088
Receivables, trade	34,998	58,818
Accrued interest receivable	121,504	66,085
	6,370,269	\$6,346,449
Capital Assets (Note 4)	43,412	35,462
	\$6,413,681	\$6,381,911

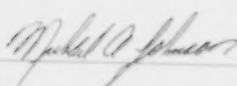
LIABILITIES AND FUND BALANCES

Current Liabilities		
Unearned premiums	\$ 51,015	\$ 39,889
Deposits for insurance	614	1,575
Provision for payment of unsettled indemnities (Note 5)	2,107	6,403
	53,736	47,867
Deferred Contributions Related to Capital Assets (Note 6)	43,411	35,462
	97,147	83,329
Fund Balances		
Crop insurance	5,399,468	5,333,339
Livestock insurance	917,066	965,243
	6,316,534	6,298,582
	\$6,413,681	\$6,381,911

Commitments (Note 10)

APPROVED ON BEHALF OF THE COMMISSION


Director


Director

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
STATEMENT OF SURPLUS AND FUND BALANCES
FOR THE YEAR ENDED MARCH 31, 2004

	Crop Insurance	Livestock Insurance	Other	Totals	
				2004	2003
Revenues					
Insurance premiums					
(Schedule A)	\$ 849,740	\$ 35,460	\$ -	\$ 885,200	\$ 837,099
Interest income	180,305	31,819	-	212,124	177,004
Amortization of deferred contributions (note 6)	-	-	10,797	10,797	9,976
	1,030,045	67,279	10,797	1,108,121	1,024,079
Expenses					
Indemnity claims					
(Schedule A)	837,680	46,040	-	883,720	384,128
Re-insurance premiums	126,217	69,416	-	195,633	-
Bad debt expense	19	-	-	19	43,619
Administrative expenses (Note 7)					
(Schedule B)	708,070	7,224	7,224	722,518	667,777
Amortization of capital assets	-	-	10,797	10,797	9,976
	1,671,986	122,680	18,021	1,812,687	1,105,500
Surplus (deficiency) before					
Government contributions	(641,941)	(55,401)	(7,224)	(704,566)	(81,421)
Government contributions					
(Note 8)	708,070	7,224	7,224	722,518	667,777
Net Surplus (deficiency)	66,129	(48,177)	-	17,952	586,356
Fund Balance					
Beginning of year	5,333,339	965,243	-	6,298,582	5,712,224
End of year	\$ 5,399,468	\$ 917,066	\$ -	\$ 6,316,534	\$ 6,298,580

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED MARCH 31, 2004

	2004	2003
Operating Activities		
Net Surplus	\$ 17,952	\$ 586,356
Amortization of intangible assets	10,797	9,976
Amortization of deferred contributions	(10,797)	(9,976)
	<u>17,952</u>	<u>586,356</u>
Net change in non-cash working capital balances related to operations (note 9)	(25,731)	(52,161)
	<u>(7,779)</u>	<u>534,195</u>
Investing Activities		
Purchase of short-term investments	65,301	(554,689)
Purchase of capital assets	(18,746)	(11,516)
Deferred contributions related to capital assets	18,746	11,516
	<u>65,301</u>	<u>(554,689)</u>
Increase (decrease) in cash during year	57,522	(20,494)
Cash, beginning of year	<u>83,458</u>	<u>103,952</u>
Cash, end of year	<u>\$ 140,980</u>	<u>\$ 83,458</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004**

1. Authority

The Nova Scotia Crop and Livestock Insurance Commission was established pursuant to Section 2(1) of the Nova Scotia Crop and Livestock Insurance Act. The function of the Commission is to administer plans of crop and livestock insurance, and conduct programs relating to these plans.

2. Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles and include the following accounting policy:

Capital Assets

Capital assets are recorded at cost, net of accumulated amortization. Amortization is provided on a straight-line basis over the assets' estimated useful lives, which for office furniture is 10 years and for equipment is 5 or 10 years depending on the type of equipment.

3. Short-term investments

The commission invests excess funds to be used to pay future indemnity claims. At March 31, 2004 these funds had a market value of \$6,074,663 (2003 - \$6,131,033) and were invested in various corporate and provincial bonds and promissory notes maturing in 2004 and 2005 with yields from 2.92% to 4.25%.

4. Capital Assets

	2004	2003
Equipment and furniture	\$ 122,689	\$ 103,942
Accumulated amortization	(79,277)	(68,480)
Net book value	<u>\$ 43,412</u>	<u>\$ 35,462</u>

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004**

5. Provision for Payment of Unsettled Indemnities

Any indemnities for losses incurred in the fiscal year not paid as of year end have been estimated and recorded in the financial statements, with the exception of indemnities for Winter Grain.

Winter Grain is planted in the fall, but is not harvested until the following fall. Therefore, crop yields for Winter Grain are not known until well after the annual financial statements have been prepared. Crop yields can fluctuate dramatically depending upon factors such as weather conditions during the growing and harvesting seasons. As a result, the occurrence and amount of losses relating to this year's crop, if any, cannot be reasonably estimated at this time and therefore no provision has been recorded in the financial statements. In most cases, the indemnity expense for Winter Grain will be recorded in the year it is paid.

6. Deferred Contributions Related to Capital Assets

Deferred contributions related to capital assets represent capital assets which were purchased by the Department of Agriculture and Fisheries on behalf of the Commission.

	2004	2003
Balance, beginning of year	\$ 35,462	\$ 33,922
Add: Capital assets acquired	18,746	11,516
Less: Amounts amortized to revenue	(10,797)	(9,976)
Balance, end of year	\$ 43,411	\$ 35,462

7. Related Party Transactions

Administrative expenses include \$30,000 (2003-\$30,000) for rent and \$44,240 (2003-\$44,240) for miscellaneous professional services that were charged to the Commission by the Nova Scotia Department of Agriculture and Fisheries.

8. Government Contributions

Under the crop insurance programs, producers now pay 40%(50% in 2003) of the insurance premiums and the Federal and Provincial governments pay 36% and 24%(30% and 20% in 2003) respectively.

**PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK
INSURANCE COMMISSION
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004**

Neither the Federal nor Provincial governments cost share in the insurance premiums of the livestock insurance program or in non-refundable deposits.

For the 2004 fiscal year, the Federal government contributed 49% (2003 - 49%) of the total administrative expenses. The Provincial government funded the remainder.

9. Net change in non-cash working capital balances related to operations

	2004	2003
Increase (decrease) in cash from changes in:		
Receivables	\$23,820	\$ (7,085)
Accrued interest receivable	(55,419)	(14,791)
Increase in deposits for insurance	(961)	(15,159)
Unsettled indemnities	(4,297)	(23,600)
Unearned premiums	11,126	8,474
	\$ (25,731)	\$ (52,161)

10. Insurance Coverage

The total insurance coverage as of March 31, 2004 was \$54,353,458 (2003 - \$52,632,562), comprising crop insurance of \$16,614,618 (2003 - \$15,899,230) and livestock insurance of \$37,738,840 (2003 - \$36,733,332).

The Province is party to an agreement with the Government of Canada, whereby, the Province makes advances to a fund administered by the Government of Canada called the Crop Re-Insurance Fund of Canada for Nova Scotia. The purpose of this Fund is to assist the Province of Nova Scotia when there is a requirement by the Province to make advances to the Commission for the payment of crop insurance indemnities. Advances to this Fund are recorded by the Province as a loan receivable, although they have not been reflected in the accounting records of the Commission.

The total re-insurance premiums paid by the Province have amounted to approximately \$709,345. Management holds the opinion that the payment of these premiums was the responsibility of the Province. Discussions are ongoing to determine if the Commission should repay all, or a portion, of these re-insurance premiums to the Province. The amount, if any, to be repaid to the Province will be recorded by the Commission at that time.

The Commission took out their own re-insurance fund on both livestock and crops. They secured coverage of \$3 million, for a premium of \$195,000. The coverage was based on loss of income for dairy and total coverage for crops and was to impart a benefit to the Commission of no more than \$3 million if exercised. The period covered by reinsurance was April 1, 2003 - March 31, 2004.

Subsequent to year-end, there will be no further private re-insurance coverage due to changes in regulations that have removed the two most dangerous perils, Bovine Spongiform Encephalopathy (BSE) and foot and mouth disease (FMD), from the dairy program. The Commission now feels confident that it has the reserves necessary to handle the crop and dairy program.

11. Public Service Superannuation Fund

All full time employees of the Commission are entitled to receive pension benefits pursuant to the provisions of a pension plan established under the Public Service Superannuation Act. The plan is funded by equal employee and employer contributions. The employer's contributions are included in the Commission's operating expenses. The Public Service Superannuation Fund is administered by the Department of Finance. The Commission is not responsible for any unfunded liability. The pension expense incurred in the current year was \$26,071 (2003 - \$23,525).

12. Economic dependence

The Commission is economically dependent upon the ongoing and future funding of the Nova Scotia and Federal governments.

13. Comparative figures

In some cases, the comparative figures have been restated to conform with the current year's presentation.

SCHEDULE A

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
PREMIUM REVENUE AND INDEMNITY CLAIMS
FOR THE YEAR ENDED MARCH 31, 2004

	Farmer	Federal	Premium Revenue		Indemnity Claims	
			Provincial	2004	2003	2004
Crop Insurance						
Spring grain	\$ 18,857	\$ 16,972	\$ 11,314	\$ 47,143	\$ 43,980	\$ 86,714
Winter grain	17,706	15,935	10,623	44,264	29,136	78,244
Tree fruit	88,418	79,576	53,051	221,045	194,761	71,956
Corn	28,724	25,852	17,234	71,810	41,960	36,597
Peas & beans	34,782	31,303	20,869	86,954	83,756	210,922
Blueberries	89,522	80,570	53,713	223,805	196,909	113,582
Strawberries and raspberries	5,056	4,550	3,033	12,639	19,725	55,467
Forage	1,968	1,771	1,181	4,920	8,004	7,993
Soybeans	3,335	3,002	2,001	8,338	7,370	6,821
Potatoes	8,202	7,382	4,921	20,505	68,857	(7,941)
Vegetables	43,327	38,994	25,996	108,317	121,424	176,205
	339,897	305,907	203,936	849,740	815,862	837,680
Livestock Insurance						
Dairy	35,460	-	-	35,460	21,217	46,040
Total	\$ 375,357	\$305,907	\$203,936	\$885,200	\$837,099	\$883,720
						\$384,128

SCHEDULE B

PROVINCE OF NOVA SCOTIA
NOVA SCOTIA CROP AND LIVESTOCK INSURANCE COMMISSION
ADMINISTRATIVE EXPENSES
FOR THE YEAR ENDED MARCH 31, 2004

	Totals			
	Crop Insurance	Livestock Insurance	Other	2004 2003
Personnel	\$512,181	\$ 5,226	\$5,226	\$ 522,633 \$481,478
Transportation and communication	58,915	601	601	60,117 53,489
Information	11,634	118	118	11,870 15,356
Professional and special services	33,193	339	339	33,871 31,030
Office accommodation and equipment rental	31,725	324	324	32,373 30,886
Repair and maintenance of equipment	3,158	32	32	3,222 1,107
Materials and supplies	13,939	142	142	14,193 10,192
Central government services	43,355	442	442	44,239 44,239
	\$708,070	\$ 7,224	\$7,224	\$ 722,518 \$667,777



